

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE SOUTH )  
SHORE WATER WORKS COMPANY ) CASE NO. 9563

O R D E R

On April 11, 1986, South Shore Water Works Company ("South Shore") filed its petition seeking to increase its rates for water service in order to generate additional revenues of \$84,709 annually, an increase of 43 percent. South Shore proposed an effective date of May 1, 1986, for putting its proposed rates in effect which the Commission suspended for 5 months, until October 1, 1986.

On July 2, 1986, an informal conference was held involving representatives of South Shore and members of the Commission staff to discuss the possible need to expand this case to include a request for a certificate of public convenience and necessity and a request for approval of long-term financing. On July 21, 1986, South Shore filed its amended petition seeking a certificate of convenience and necessity and approval of long-term financing.

On July 15 and 16, 1986, the Commission staff performed a limited audit of South Shore's operations for the purpose of evaluating the requested increase in rates. The staff issued its report containing findings and recommendations related to South Shore's proposed increase on August 29, 1986. On September 5,

1986, South Shore filed its response to the staff report wherein it moved that the Commission accept the staff report as the final Order in the matter of South Shore's requested increase in rates. South Shore has provided affidavit and tear sheets evidencing publication of the notice to customers of rate application. The Commission has not received any petition for intervention in this matter. South Shore also requested that the Commission grant any applicable certificates of convenience and necessity and to rule on these matters without a public hearing.

#### TEST PERIOD

South Shore proposed and the Commission has accepted the 12-month period ending December 31, 1985, as the test period in this proceeding.

#### REVENUE REQUIREMENTS

The staff audit report included several recommendations concerning the rate-making issues presented in South Shore's application and determined South Shore's total revenue requirement to be \$266,321, an increase of \$54,827 above South Shore's normalized test period revenues. South Shore accepted these recommendations in its response filed September 5, 1986, with the exception of the recommendation to disallow South Shore's proposed adjustment to increase utility plant in service. Despite this exception, South Shore stated that it was willing to accept the staff report in disposition of its rate application. The Commission finds the recommendations contained in the staff report to be reasonable and hereby grants South Shore an increase in

rates sufficient to produce additional revenues of \$54,827 on an annual basis.

#### OTHER MATTERS

The Commission finds that approval should be given for South Shore's long-term financing, as described in the application. As stated in the amended petition, testimony previously was given concerning this matter. The Commission is aware that the issue of the interest on this financing was addressed in the staff report and approves of the treatment accorded said interest therein. South Shore is reminded that in the future approval for all such financing will be required prior to the time that such monies are obtained.

By amended application filed July 23, 1986, a certificate of public convenience and necessity was requested by South Shore. Approval therein was requested for work completed; not for work proposed. While the Commission realizes that extraordinary circumstances occasionally occur that prevent a timely application for a certificate of public convenience and necessity, there is no showing that such was true in this instance. KRS 278.020 states that a certificate must be obtained before a utility may "begin the construction of any plant, equipment, property or facility for furnishing to the public any of the services" set out in the statute. South Shore is hereby advised that future construction must receive the Commission's prior approval.

#### SUMMARY

The Commission, based on the evidence of record and being advised, is of the opinion and finds that:

1. The rates and charges proposed by South Shore should be denied upon application of KRS 278.030.

2. The rates and charges in Appendix A are fair, just and reasonable for South Shore and should produce gross annual revenues of \$266,321.

3. South Shore should adjust its books of account to reflect the disallowance of the proposed adjustments to utility plant in service as recommended in the staff report.

4. The financing addressed herein was for a lawful object within the corporate purposes of South Shore, and was necessary and appropriate for its proper performance of service to the public and will not impair its ability to perform this service and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by South Shore are hereby denied.

2. The rates and charges in Appendix A are approved for service rendered by South Shore on and after October 1, 1986.

3. South Shore shall adjust its books of account in accordance with Finding No. 3 herein and shall reflect such adjustments by filing an amended 1985 annual report within 60 days of the date of this Order.

4. South Shore's long-term financing as referenced in Finding No. 4 be and it hereby is approved.

5. South Shore shall file its revised tariff sheets setting forth the rates approved herein within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 1st day of October, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Hemann Jr.  
Chairman

[Signature]  
Vice Chairman

[Signature]  
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9563 DATED 10/01/86

The following rates and charges are prescribed for the customers in the area served by South Shore Water Works Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

First 1,000 Gallons	\$3.45 Minimum Bill
Next 9,000 Gallons	1.70 Per 1,000 Gallons
Next 20,000 Gallons	1.45 Per 1,000 Gallons
Next 20,000 Gallons	1.25 Per 1,000 Gallons
Over 50,000 Gallons	.95 Per 1,000 Gallons